

# Transformational Leadership, Organizational Culture, and Compensation Effects on Job Satisfaction and Performance at BSI Jakarta

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## Article Info

### Article history:

Received 01 24, 2026

Revised 02 25, 2026

Accepted 03 03, 2026

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### Keywords:

Transformational  
Leadership;  
Organizational  
Culture;  
Compensation Effects;  
Job Satisfaction

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## ABSTRACT

This study aims to analyze the influence of transformational leadership, organizational culture, and compensation on employee job satisfaction and performance at Bank Syariah Indonesia (BSI) DKI Jakarta Branch. The method used is a quantitative approach with a descriptive and explanatory design, and data analysis using Structural Equation Modeling (SEM) through the Smart PLS 3.0 application. The results show that transformational leadership has a significant positive influence on employee performance with a value of 76.7%. Organizational culture contributes significantly to job satisfaction by 86.8%, but does not directly affect performance. Compensation is proven to influence employee performance by 25.9%, although it does not significantly affect job satisfaction. In addition, job satisfaction does not have a direct influence on employee performance. Based on these findings, it is recommended to improve transformational leadership and a conducive organizational culture to improve employee performance at BSI. This study contributes to the understanding of factors that influence job performance and satisfaction, and provides suggestions for better human resource management in the future.

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## INTRODUCTION

The Indonesian banking industry, with its prudent principles and measured risk management, plays a crucial role in maintaining the security of public funds. Over the past 16 years, the banking industry has experienced various changes, particularly related to regulation and competition. This is evident in the annual decline in the number of banks, with various consolidations and mergers occurring between large and small banks. The number of banks in Indonesia has decreased significantly from 2010 to 2025. In 2010, there were 2,222 banks, but by 2025, the number is estimated to be only 1,447, mostly from the merger of small banks and rural banks (BPRs).

One of the main drivers of this change is the need to increase core capital, a key performance indicator of banks. This regulation aims to enable Indonesian banks to compete globally and in Asia. Digitalization in the banking industry is inevitable, as the increasing use of artificial intelligence (AI) and e-commerce are changing consumer transaction behavior. This digitalization impacts various aspects of banking operations, including how banks interact with their customers. Along with these changes, large banks in Indonesia, such as Bank Syariah Indonesia (BSI), are trying to adapt by forming new entities and merging.

In 2020-2022, there was a decline in the number of commercial banks in Indonesia, primarily due to mergers between state-owned Islamic banks such as BRI Syariah, BNI Syariah, and Bank Syariah Mandiri. These mergers aimed to improve banks' capabilities in the digital world, where smaller banks that do not meet global or Asian standards would struggle to compete. Digitalization is expected to increase bank effectiveness and productivity, as research shows that digitalization increases productivity, particularly in the Indonesian Islamic banking sector. Bank Syariah Indonesia, formed from the merger of three major banks—Bank Syariah Mandiri, BNI Syariah, and BRI Syariah—faces challenges in implementing transformational leadership. Transformational leadership is crucial for addressing the complexity, ambiguity, and uncertainty inherent in the dynamic changes in the banking industry. Transformational leaders are expected to provide clear direction and appropriate strategies to enable the bank to adapt quickly to market changes. However, a survey conducted at BSI indicates that regional leaders, particularly in Jakarta, are not yet fully equipped to address market complexity and uncertainty, particularly in developing collaborations with partners and social institutions.

Based on the survey results, many partners demand integrated digital services, but this has not been achieved effectively. For example, the annual target of collaborating with 40 state-owned and private sector partners was achieved by only eight partners, far below the target. Similar issues also occurred in collaborations with hospitals, social institutions, and foreign partners, indicating a gap between targets and actual outcomes. This phenomenon indicates that BSI's leadership is not yet capable of meeting the challenges of rapid change, despite efforts to transform digital services. Furthermore, Bank Syariah Indonesia also faces challenges in terms of results orientation. Surveys show that human resources at the bank feel that results orientation has not been implemented evenly. This results orientation should be a culture implemented across all lines, with the aim of increasing the bank's productivity and profitability. However, employees feel that there is an inequity in terms of tasks, rewards, and compensation, which affects their motivation and job satisfaction. This phenomenon is also reflected in performance measurement, where although the bank's profits increase annually, some segments, such as digital banking and the Islamic ecosystem, have not achieved expected targets.

Another issue facing Bank Syariah Indonesia is suboptimal employee job satisfaction. Surveys show that many employees feel their work doesn't align with their educational background and experience. Furthermore, even though their work aligns with their positions and core duties, they feel they haven't received adequate compensation or recognition for their performance. This can lead to decreased job satisfaction, which in turn impacts the bank's overall performance. In this regard, Bank Syariah Indonesia needs to consider aspects of transformational leadership, organizational culture, and compensation to improve employee performance and job satisfaction. Transformational leadership that can address market complexity and uncertainty, combined with an organizational culture that fosters a results-oriented approach, will improve the bank's overall performance. Furthermore, providing appropriate compensation and recognition for employee performance is crucial to ensure employee motivation and job satisfaction are maintained.

On the other hand, Bank Syariah Indonesia needs to make adjustments to its employee competencies. Survey results indicate gaps in employee competencies, such as a lack of regular training, a lack of competence in handling products and services, and limited risk management and other technical certifications. This gap can hinder employees' ability to carry out their duties effectively, which in turn impacts the bank's performance. Bank Syariah Indonesia is expected to become a driving force in the Islamic banking industry, replacing the previously established Bank Muamalat. Therefore, it is crucial for BSI to optimize its existing human resources by ensuring transformational leadership, a strong organizational culture, and fair compensation commensurate with results. These steps are expected to optimize the bank's performance and meet its targets.

This research is divided into three theoretical groups: grand theory, middle theory, and applied theory. The grand theory used is Islamic bank management, which focuses on managerial decisions and actions that influence the bank's long-term performance. The supporting theory, or middle theory, used is human resource management (HRM), which

connects the hypotheses from the empirical study with more abstract macro theories. Applied theory encompasses related theories such as Transformational Leadership, Organizational Culture, Compensation, Job Satisfaction, and Employee Performance. The grand theory in this research is Islamic bank management, which encompasses the entire decision-making process related to the performance of the bank's business units. Management, as a process, involves planning, organizing, directing, and supervising to achieve predetermined goals. Experts define management as encompassing various aspects, such as effective planning, sound organization, and appropriate control, to effectively achieve organizational goals.

Middle theory, namely human resource management, connects broad theory with more specific and measurable theories. HRM focuses on how people within an organization are managed to achieve company goals. The primary functions of HRM include planning, organizing, directing, controlling, recruiting, developing, compensating, integrating, maintaining, disciplining, and terminating employees. These functions are crucial to ensuring that employees can work effectively and efficiently. In applied theory, transformational leadership is a key theory driving change in organizations. Transformational leadership motivates employees to achieve organizational goals by inspiring enthusiasm and confidence. Transformational leaders create a vision that motivates and inspires followers to exceed their expectations.

Organizational culture also plays a vital role in shaping how an organization operates and achieves its goals. Organizational culture refers to the shared values and norms shared by members of an organization, which guide behavior and problem-solving within the organization. This culture influences attitudes, communication, and decisions within the organization, which in turn impact individual and overall organizational performance. Compensation is a form of recognition given to employees for their contributions to the organization. Fair and appropriate compensation can increase employee motivation and job satisfaction. An effective compensation system combines salary, benefits, incentives, and other rewards to ensure employees feel valued and motivated.

Job satisfaction is a factor that significantly influences employee performance. Job satisfaction occurs when employees feel that their contributions are recognized with appropriate rewards and that they have opportunities for growth in their jobs. Factors influencing job satisfaction include salary, opportunities for advancement, work environment, supervision, and relationships with coworkers. Employee performance is the result of their efforts in carrying out assigned tasks. Good performance is reflected in the quantity and quality of work, timeliness, cost-effectiveness, and good interpersonal relationships with coworkers. Factors influencing performance include individual skills, leadership, teamwork, work systems, and the situational context. Overall, this study aims to explore the influence of transformational leadership, organizational culture, compensation, and job satisfaction on employee performance at Bank Syariah Indonesia. Each theory used in this study is interrelated and plays a crucial role in creating a work environment that supports the achievement of organizational goals.

## **METHOD**

This study uses a quantitative design with a descriptive and explanatory approach, aiming to analyze the influence of commitment and organizational culture on employee performance with job satisfaction as a mediator variable at Bank Syariah Indonesia (BSI) in DKI Jakarta (Creswell, 2017; Sekaran & Bougie, 2016; Malhotra & Birks, 2018). Data collection methods were carried out through observation, interviews, questionnaires, and documentation, with a Likert scale to measure employee responses to the variables studied. The data analysis technique used Structural Equation Modeling (SEM) through the Smart PLS 3.0 application. This study involved 231 BSI employees in DKI Jakarta, with a simple random sampling technique to select respondents randomly.

The research location was at the BSI DKI Jakarta Provincial Branch Office, with BSI employees as the observation unit. This was expected to provide insight into the factors influencing their performance, including transformational leadership, organizational culture, and compensation. The variables studied included exogenous variables (transformational leadership, organizational culture, and compensation), intervening variables (employee

performance), and endogenous variables (job satisfaction) that influence employee performance (Cooper & Schindler, in Mulyana et al., 2025).

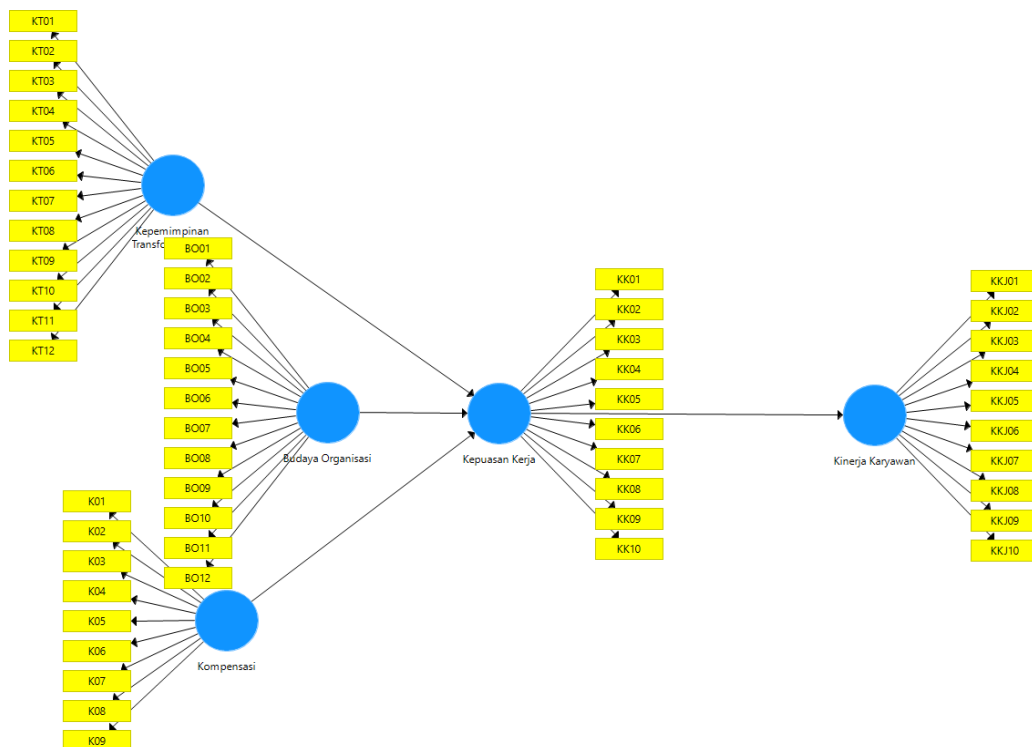
In operationalizing the variables, this study details various indicators for each variable. For example, for transformational leadership (X1), the indicators include idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, based on the theory of Bass & Avolio (Suwatno, 2019). Organizational culture (X2) includes values, heroes, rituals, and cultural networks, with reference to the definition of Deal and Kennedy (Pabunda Tika, 2018). Compensation (X3) is measured through wages, incentives, and benefits, with sources from Sinambela (2020).

This study used primary data collected directly from employees through questionnaires, and secondary data in the form of relevant literature (Sekaran & Bougie, 2016). The study population was all BSI employees in DKI Jakarta, and the sample was taken using a saturated sampling technique, namely all members of the population were used as samples (Sugiyono, 2014). Data collection was carried out using questionnaires and observation techniques, with instruments tested for validity and reliability before use.

Data analysis used SmartPLS, which combines path analysis to model the relationship between independent and dependent variables, as well as to test the direct and indirect effects between variables (Sani & Maharani, 2013; Jogiyanto & Abdilah, 2015). Validity testing was carried out using convergent validity and discriminant validity, as well as reliability testing with composite reliability, which must be greater than 0.6 (Ghozali, 2015).

A structural model (inner model) is used to predict causal relationships between latent variables. Evaluation of the structural model is conducted by examining the R<sup>2</sup> value for the dependent variable and Q-Square testing (Ghozali, 2015). This method is expected to yield a deeper understanding of the influence of certain factors on employee performance at BSI.

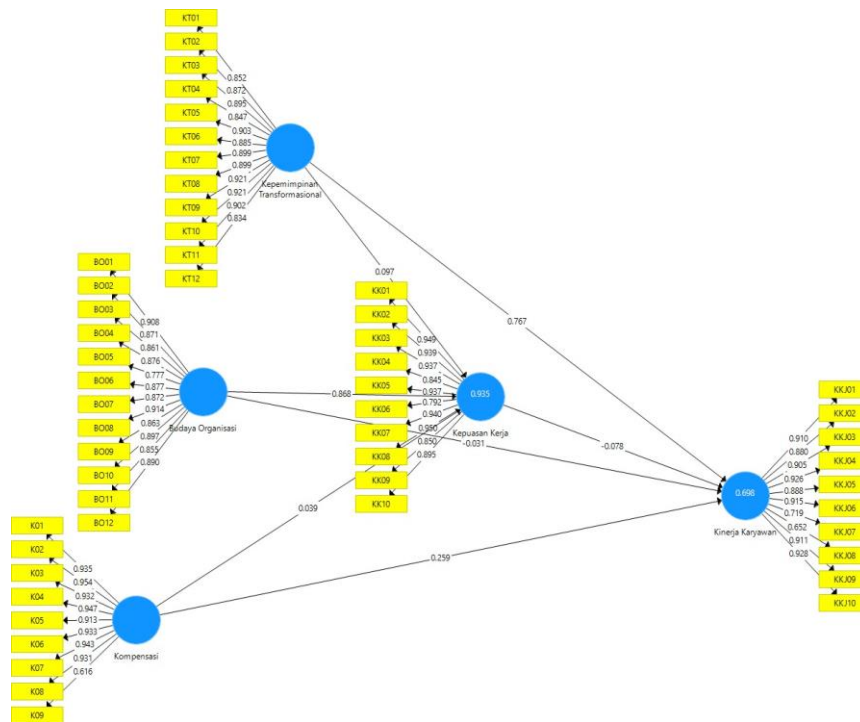
The following is a picture of the research structural model:



**Figure 1. Structural Model**

**RESULT**

Based on table 4.18 above, it shows that the R Square value for the Job Satisfaction variable is 0.931, the acquisition explains that the percentage of employee performance is 93.1%. This means that the Transformational Leadership variable, the Organizational Culture variable, and compensation have an effect on Job Satisfaction by 93.1% and the remaining 6.9% is influenced by other factors. while for Employee Performance is 0.409, the acquisition explains that the percentage of employee performance is 40.9%. This means that the Employee Satisfaction variable has an effect on Employee Performance by 40.9% and the remaining 59.1% is influenced by other factors.



**Figure 4.2 Algorithm Testing**

Based on figure above, the results of the evaluation of the partial relationship equation model between variables explained by the path coefficient value can be described as follows: The path coefficient for hypothesis 1, namely the Transformational Leadership variable on employee performance, was 0.767. This value indicates a positive effect on employee performance. These results indicate that the better the Transformational Leadership, the better the employee performance. The path coefficient for hypothesis 2, namely Organizational Culture on Employee Performance, was -0.031. This value indicates a negative number, indicating no effect of Organizational Culture on Employee Performance. This result indicates that with the existing Organizational Culture, Employee Performance actually decreases. The path coefficient for hypothesis 3, which relates compensation to employee performance, was 0.259. This value indicates a positive effect of compensation on employee performance. These results indicate that better compensation leads to improved employee performance.

The path coefficient for hypothesis 4, namely Transformational Leadership on Job Satisfaction, was 0.097. This value indicates a positive effect on job satisfaction. These results indicate that better Transformational Leadership will increase job satisfaction.

The path coefficient for hypothesis 5, namely organizational culture on job satisfaction, was 0.868. This value indicates that organizational culture has a positive value and influences job satisfaction. These results indicate that a positive organizational culture will increase job satisfaction. The path coefficient for hypothesis 6, namely compensation on job satisfaction, was 0.039. This value indicates that the Organizational Culture variable has a positive value but does not influence job satisfaction. These results indicate that a positive Organizational Culture will increase job satisfaction. The path coefficient value for hypothesis 7, namely job

satisfaction on employee performance, was obtained at -0.078. This value shows a negative number and job satisfaction does not have an influence on performance employees. Results This show that with satisfaction Currently, employee performance is actually decreasing.

This study has seven hypotheses, as formulated in the research questions, and their validity needs to be tested. Hypothesis testing in this study uses a t-test, comparing the t-statistic value obtained from the bootstrapping test with the critical limit of the t-table value of 1.96 at a significance level of 5% (0.05). The results of this study present a comprehensive analysis of the relationships among transformational leadership, organizational culture, compensation, job satisfaction, and employee performance. Each hypothesis was tested using statistical indicators such as the original sample value, t-statistic, and P-value to determine whether the proposed relationships were significant. The findings provide clear evidence regarding which variables directly influence employee performance and job satisfaction.

Hypothesis 1 examined the effect of Transformational Leadership on Employee Performance. The original sample value of 0.767 indicates a strong positive relationship between these two variables. Furthermore, the t-statistic value of 15.844 is far greater than the t-table value of 1.96, and the P-value of 0.000 is below the significance level of 0.05. These results confirm that transformational leadership has a positive and significant effect on employee performance. Therefore, Hypothesis 1 is accepted.

A correlation value of 76.7% reflects a very strong relationship between transformational leadership and employee performance. This suggests that leaders who inspire, motivate, provide vision, and encourage innovation significantly enhance employees' productivity and effectiveness. Transformational leaders are able to foster commitment and enthusiasm, which ultimately leads to improved performance outcomes within the organization.

Hypothesis 2 tested the influence of Organizational Culture on Employee Performance. The original sample value was -0.031, indicating a very weak and negative relationship. The t-statistic value of 0.187 is far below the t-table value of 1.96, and the P-value of 0.852 is well above 0.05. These results demonstrate that organizational culture does not have a significant effect on employee performance in this study. Therefore, Hypothesis 2 is rejected.

Hypothesis 3 analyzed the effect of Compensation on Employee Performance. The original sample value of 0.259 indicates a positive relationship with a contribution value of 25.9%. The t-statistic value of 4.836 exceeds 1.96, and the P-value of 0.000 is less than 0.05. These findings confirm that compensation has a positive and significant effect on employee performance. Thus, Hypothesis 3 is accepted.

Although the influence of compensation is not as strong as transformational leadership, it still plays an important role in motivating employees. Fair and competitive compensation encourages employees to work more efficiently and meet organizational targets. This suggests that financial rewards remain an essential factor in improving performance, even if they are not the primary determinant.

Hypothesis 4 examined the effect of Transformational Leadership on Job Satisfaction. The original sample value of 0.097 indicates a positive relationship with a contribution of 9.7%. The t-statistic value of 3.877 is greater than 1.96, and the P-value of 0.000 is below 0.05. These results prove that transformational leadership significantly influences job satisfaction. Therefore, Hypothesis 4 is accepted.

Hypothesis 5 tested the influence of Organizational Culture on Job Satisfaction. The original sample value of 0.868 indicates a very strong positive relationship, with a correlation value of 86.8%. The t-statistic value of 33.192 is much higher than 1.96, and the P-value of

0.000 confirms statistical significance. These findings show that organizational culture has a significant and dominant effect on job satisfaction. Hence, Hypothesis 5 is accepted.

Hypothesis 6 evaluated the effect of Compensation on Job Satisfaction. The original sample value of 0.039 indicates a very weak relationship. The t-statistic value of 1.836 is lower than 1.96, and the P-value of 0.067 is greater than 0.05. This means compensation does not significantly affect job satisfaction in this study. Therefore, this hypothesis is rejected.

Finally, the last hypothesis tested the effect of Job Satisfaction on Employee Performance. The original sample value of -0.078 indicates a weak negative relationship. The t-statistic value of 0.428 is below 1.96, and the P-value of 0.667 exceeds 0.05. These results prove that job satisfaction does not significantly affect employee performance in this research. Overall, the study concludes that transformational leadership is the strongest determinant of employee performance, while organizational culture plays a dominant role in shaping job satisfaction.

## CONCLUSION

In this study, the authors analyzed the influence of transformational leadership, organizational culture, and compensation on employee performance and job satisfaction at Bank Syariah Indonesia (BSI), specifically at the DKI Jakarta Provincial Branch Office. Based on the results of the study, several significant findings were found. First, transformational leadership was proven to have a significant positive influence on employee performance with an influence percentage of 76.7%. This indicates that leaders who are able to inspire, provide a clear vision, and serve as role models will significantly improve employee performance. Second, organizational culture also has a significant influence on job satisfaction, with a contribution of 86.8%. However, although organizational culture has a strong influence on job satisfaction, no direct influence was found on employee performance. Third, compensation has a positive influence on employee performance, although only by 25.9%. This indicates that a good compensation system can improve employee performance, although it does not have a direct effect on job satisfaction. Furthermore, the study also found that job satisfaction does not have a direct influence on performance, indicating that other factors such as leadership and compensation are more dominant in influencing employee performance.

Based on these findings, several suggestions are offered to improve employee performance and job satisfaction. For practitioners, it is highly recommended to prioritize the development of transformational leadership in companies, given its positive impact on employee performance and job satisfaction. Ongoing leadership training can help leaders become more inspiring and visionary. Furthermore, a strong organizational culture needs to be nurtured and well-managed to continuously improve job satisfaction. Although organizational culture has not been proven to directly influence performance, it is important to maintain values and norms that support a conducive work environment. Regarding compensation, although it does influence performance, it is important to understand that compensation is more effective in increasing employee productivity than in increasing job satisfaction. Therefore, an appropriate reward system can be a more efficient tool for spurring employee performance.

For future researchers, it is recommended to add other variables that can influence employee performance, such as work motivation or organizational commitment. Furthermore, this research can be further developed with different methodological approaches, such as qualitative or mixed methods research, to gain deeper insights into the dynamics of leadership and organizational culture. It is also recommended to expand the research object to include other industrial sectors or different regions, so that the research results can be more widely generalized. Thus, this study contributes to understanding the factors that influence employee performance at Bank Syariah Indonesia and provides direction for more effective human resource management policies in the future.

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